

BEFORE THE ENERGY RESOURCES CONSERVATION AND
DEVELOPMENT COMMISSION
OF THE STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION)
OF THE)
PEGASUS PROJECT) Docket No. 01-EP-9
PEGASUS POWER PARTNERS, LLC) (Application Found
Complete on:
) May 11, 2001)

Wednesday, May 16, 2001

At Chino City Hall, 13220 Central Avenue

Chino, California

6:30 O'Clock P.M.

Reported by:

Janet B. White, Certified Realtime Reporter
Certified Shorthand Reporter, No. 1879

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMITTEE MEMBERS PRESENT:

ROBERT PERNELL, Commissioner, Presiding Member
ELLEN TOWNSEND-SMITH, Commissioner Adviser
SAMUEL D. REYES, Hearing Officer

STAFF PRESENT:

KEVIN KENNEDY, Site Manager
TOM CLEARY, Public Adviser
ROGER JOHNSON: Siting Program

APPLICANT:

JAY R. ROLAND, Delta Power

CITY AND OTHER AGENCY REPRESENTATIVES:

John Theodore Yee, and Knut Beruldsen, South
Coast Air Quality Management District
Charles E. Coe, Director of Community
Development, City of Chino
Brent Arnold, Principal Planner, City of Chino
Douglas A. Darnell, Associate Planner, City of
Chino
Patrick J. Glover, Director of Public Works,
City of Chino
Pat Hegler, Public Facilities Operations
Director, City of Chino Hills
Susan Cole, Associate Planner, City of Chino
Hills
Mohsen Nazemi, Assistant Deputy Executive
Officer, South Coast Air Quality Management
District

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

1 PRESIDING MEMBER PERNELL: Good evening
2 everyone, and welcome to the Energy Commission
3 Informational Hearing. Most of you have been on the
4 site visit.

5 This hearing is conducted by a Commissioner
6 of the California Energy Commission on the proposed
7 Pegasus Power Project. The Energy Commission has
8 assigned one Commissioner to conduct these
9 proceedings, and before we begin, I would like to
10 introduce the dais.

11 My name is Commissioner Pernell, Robert
12 Pernell. I'll be the Presiding Member.

13 We have our Hearing Officer, who will
14 conduct the hearing this evening, Mr. Reyes, Sam
15 Reyes.

16 And I also have my Advisor, which is to my
17 right, Ellie Townsend-Smith.

18 And we have the Project Manager, Mr. Kevin
19 -- that is a K -- Kennedy. Sorry. Mr. Kennedy will
20 be the Project Manager.

21 Pegasus Power Partners, LLC filed an
22 Application with the Energy Commission to obtain a
23 license to build and operate the Pegasus Power
24 Project, the proposed power plant facility, in the
25 City of Chino.

1 The purpose of today's Hearing is to provide
2 information about the proposed power plant and to
3 describe the Commission's licensing process in
4 reviewing the Application.

5 Pegasus Power Partners applied to the Energy
6 Commission Emergency Siting Process to help meet the
7 State's electricity needs.

8 Three of the four turbines will be completed
9 by September 30th, 2001, and that was a question at
10 the site visit. One unit is expected to be completed
11 around March of 2002.

12 The Energy Commission will be certifying all
13 four units under the Governor's Executive Order
14 D-26-01 and D-28-01, which expedites the permitting
15 process for peaking and renewable power plants that
16 can provide power to California by September 30th,
17 2001.

18 The way this proceeding will -- the way we
19 will proceed, we'll have the Applicant introduce
20 themselves and their team. We will also have staff
21 introduce themselves, and we'll have the agencies
22 introduce themselves, and then we will have the
23 Public Adviser, as well as the community, who wants
24 to speak, will also have an opportunity to do that.

25 This Hearing will begin with the

1 presentation from the Project Developer about the
2 proposed project, then we will ask the Commission
3 staff to provide their initial comments.

4 Staff will be doing what we call a Fatal
5 Flaw Analysis that tries to determine if there are
6 any reasons that, even in these emergency conditions,
7 this plant should not be permitted under this
8 abbreviated process.

9 After the staff presentation, we'll have a
10 break, and then we'll distribute cards to those of
11 you who may have questions for the Applicant or
12 staff.

13 So if you would, don't ask questions during
14 their presentation, and we have a Public Adviser who
15 will pass out cards to you. And if you have
16 questions, we would encourage you during the break to
17 talk to the Applicant, staff, or anyone else -- even
18 myself -- if you have questions, so that it will help
19 formulate your questions and ideas when we come off
20 of the break.

21 We also have a Public Adviser who will
22 assist, as I said, in passing out cards. Or if you
23 have any questions or need information, you can see
24 the Public Adviser, who is right now in the rear.

25 And at this time, what I would like to do

1 is turn the Hearing over to our Hearing Officer, Mr.
2 Reyes.

3 HEARING OFFICER REYES: Yes. Thank you.

4 And you know who we are up here, including Mr.
5 Kennedy, who is the Project Manager for the
6 Commission on this project.

7 I would like to have the Applicant's staff
8 identify themselves, before we proceed with the
9 presentation, and anyone from a City or other agency
10 to identify themselves.

11 So if you would please move to the podium
12 and introduce yourselves, starting with the
13 Applicant. And if you want to introduce any of your
14 staff members.

15 MR. ROLAND: Thank you very much. My name is
16 Jay Roland, and I'm with Delta Power, and I'm the
17 Project Manager for the Pegasus Project.

18 With me today are several people from Delta
19 and several people from Black & Veatch, engineers out
20 of Kansas City, Missouri. They are an engineering
21 procurement construction contractor. And I'll just go
22 around the room, if you would like to meet the
23 people.

24 Is that what you would like to do?

25 PRESIDING MEMBER PERNELL: Yes.

1 HEARING OFFICER REYES: Yes.

2 MR. ROLAND: In the front, Shakil Rahman, our
3 General Counsel for Delta Power.

4 Bob Surette, standing in the back, is our
5 Project Engineer and will be the Construction Manager
6 who will be on site during all of the operations.

7 Who else do we have? From Black & Veatch, I
8 see Doug Timpe. Doug, if you will stand up. Doug
9 has been in charge of pulling together the
10 Application for Certification.

11 And with him is Rick Matar, and Rick Matar
12 is Black & Veatch's air quality expert and working
13 with the South Coast Air Quality Management
14 District.

15 I'm trying to see -- I believe that's it as
16 far as who is here from the Pegasus group.

17 HEARING OFFICER REYES: Thank you. Are
18 there any representatives from any agency? Please
19 step forward.

20 MR. COE: Good evening, Mr. Reyes. My name
21 is Chuck Coe. I'm the Community Development Director
22 for the City of Chino, and I have a couple of our
23 staff members in the audience: Brent Arnold, who
24 manages the development services within the City and
25 planning activities; and Doug Darnell, who's a

1 project manager and been assisting in the review of
2 the application.

3 HEARING OFFICER REYES: Would you spell
4 your last name?

5 MR. COE: C-O-E.

6 HEARING OFFICER REYES: And I would ask those
7 of you whose names have been mentioned to be so kind
8 as to provide a business card to the reporter. That
9 will facilitate the spelling of names and the
10 preparation of the transcript. Thank you.

11 Any other agency?

12 MR. GLOVER: Hi. Pat Glover, Public Works
13 Director, City of Chino. I've been working on
14 infrastructure issues surrounding the plant in the
15 preliminary stages. And I'll give the business
16 card.

17 HEARING OFFICER REYES: Thank you.

18 MR. HEGLER: Hello. I'm Pat Hegler, the
19 Public Facilities Operations Director for the City of
20 Chino Hills, and with me tonight is Susan Cole, one
21 of the City Planners.

22 HEARING OFFICER REYES: Anyone else? Is
23 anyone here from the South Coast Air Quality
24 Management District?

25 MR. NAZEMI: Good afternoon. Mohsen

1 Nazemi, Assistant Deputy Executive Officer, South
2 Coast Air Quality Management District.

3 PRESIDING MEMBER PERNELL: Thank you.

4 HEARING OFFICER REYES: Anyone else? I
5 would ask our Public Adviser to introduce himself.

6 MR. CLEARY: Good evening. Thank you,
7 Commissioner, ladies and gentlemen. My name is Tom
8 Cleary, and I'm representing the Public Adviser,
9 Roberta Mendonca.

10 And I'll have a more lengthy explanation
11 later, but if you do have any questions, it is my
12 task to make sure that your questions are answered,
13 and if they are not answered tonight, to follow up
14 with you tomorrow. And I'll have a longer explanation
15 with the blue cards in a little bit. Thank you.

16 HEARING OFFICER REYES: Mr. Kennedy, do you
17 have other members of the staff to introduce?

18 MR. KENNEDY: The only other member of the
19 Energy Commission Staff who is here is Roger Johnson,
20 head of the Siting Program.

21 HEARING OFFICER REYES: Very well. We will
22 then proceed with the presentation of the project.

23 As Commissioner Pernell indicated, we will
24 start with the Applicant, so, Mr. Roland.

25 MR. ROLAND: Thank you. Bob, if you could

1 fire up that view-graph machine, we'll show some
2 transparencies that might help us get through it.
3 That is a fancy-looking machine.

4 As I mentioned, my name is Jay Roland. I'm
5 the Project Manager for the Pegasus Project. If we
6 can get a little bit of focus -- we'll squint a
7 little bit, and I'll try to walk everyone through who
8 we are.

9 Pegasus Power Partners, LLC is an affiliate
10 of Delta Power, and Delta Power Company is
11 headquartered in Morristown, New Jersey, and we have
12 offices in California and Michigan and New Mexico.

13 The company itself is in the business to
14 develop and to acquire what we consider to be
15 environmentally-clean, gas-fired power projects.
16 And we currently own 13 natural gas-fired power
17 plants, five of which are in the State of
18 California.

19 The project that we're talking about today,
20 as you know, from where we went, is located on the
21 California Institute for Men in Chino. It is a 180
22 megawatt power plant made up of four LM6000's, each
23 giving approximately 45 megawatts of power.

24 Our schedule is to have the first three
25 power plants on line at 135 megawatts by the 30th of

1 September.

2 And during the construction period, we'll
3 have up to 100, 120 people on site. We'll be
4 double-shifting to get it built in four months.

5 Our engineering procurement and construction
6 contractor is Black & Veatch out of Kansas City.
7 Black & Veatch has recently been successful in
8 building an LM 2500 combined-cycle power plant in
9 Shelby, Illinois, and they did it in less than four
10 months, so they have a proven track record.

11 We have permitted the plant to operate up to
12 7500 hours, but as a peaker plant, it will probably
13 never operate more than 4,000 hours. We just wanted
14 to have that capability in case the demand were there
15 and needed by the power purchaser.

16 And we'll be interconnecting to Southern
17 California Edison's Chino substation, which is
18 approximately a quarter of a mile north of the plant,
19 north of Edison Boulevard.

20 The interconnect will be in the form of an
21 underground 230 kV cable that will run from the
22 facility underground and under a route to be
23 determined, hopefully tomorrow, in discussions with
24 the Department of General Services and the Prison, as
25 to the exact location of that particular underground

1 line.

2 It will pop up on a tower and then be
3 connected across the highway by Edison to a sister
4 tower on their site, and then drop down into that
5 substation.

6 The emission controls are in compliance with
7 all rules and regulations. We're using what's known
8 as Best Available Control Technology -- or you will
9 hear the term BACT. In this case, we have a catalyst
10 for a NOx reduction to drop the NOx down to 5 parts
11 per million in simple cycle. We also will be having
12 a catalyst to meet the requirements.

13 The emissions meet all state and federal
14 guidelines: Air, water, emissions, noise, zoning,
15 and electric transmission. And we will comply with
16 all state, federal, and local rules and regulations
17 and ordinances.

18 It is an environmentally friendly
19 operation. It operates on natural gas, which is
20 about the cleanest fuel you can get. The gas will be
21 provided through a pipeline that is going to be built
22 between Central Boulevard and the project, which is
23 going to be about a thousand feet to where they come
24 into the gas compressors.

25 And Southern California Gas will build that

1 for us, and they provide that transportation. The
2 actual source of the gas has not been determined yet.
3 It could be Southern California gas; it could be from
4 an independent gas provider.

5 The sound-dampening equipment and silencers
6 make the facility virtually -- you know, you won't
7 know it's there from a sound point of view when you
8 get to the edge of the boundary of it. We'll use
9 sound walls and baffles and everything to cut down
10 the noise.

11 In early discussions with the Prison, their
12 main concern was that we maintain, you know, OSHA
13 sound levels. And our wall, our sound wall, is 70
14 feet from their fence and approximately 100 feet from
15 their nearest building. And the sound levels will all
16 be extremely low.

17 We offset all of our emissions. No
18 emissions are allowed in this environment. And so we
19 offset them with 1.2 to 1. For every amount of NOx
20 we emit, we will offset with a purchase of credits
21 from some other source that's been cleaned up.
22 So it results in a benefit to the region.

23 Now, the question which always comes up is
24 that, "Are they going to come out of Chino?"

25 Not necessarily. But they could. It is a

1 function of where offsets are available, where they
2 can be purchased.

3 In general, the water situation was an
4 interesting point in that we wanted enough water to
5 be able to do injection of water for NOx control and
6 for power enhancement. And the City did not have the
7 capability for buying the potable water to do that,
8 but the City does have reclaimed water in fairly
9 large quantities, and they're increasing their amount
10 to generate reclaimed water, and we're able to use
11 that by putting some clean-up systems on our site to
12 take that water and get it to the quality we need for
13 those applications.

14 For our potable water that we need on the
15 site for toilets, drinking water, things of that
16 nature, the State is providing that kind of water for
17 us.

18 Benefits to the community: It is going to
19 provide the Chino area with a clean,
20 environmentally-friendly power plant. The power will
21 go into the Chino substation and be distributed by
22 the distribution entities that are in charge at that
23 time.

24 The question often comes up, "Will it help
25 Chino to not have blackouts?"

1 Not necessarily; only in the sense that it
2 helps the overall short supply of power throughout
3 the State, but there is no way to assure that it will
4 stay in the Chino area.

5 I mentioned the jobs during the
6 construction. We'll have about 100 to 120 people
7 that will be working, many of them from the local
8 labor pools.

9 We definitely pledged to minimize the effect
10 on the community both during construction and
11 operation.

12 During operation, the project will continue,
13 you know, to enhance the local economy through the
14 purchase of services and supplies.

15 In addition to that, we're working with the
16 City right now to come up with reasonableness amounts
17 of support that we can provide to the community both
18 financially and other ways.

19 Also, there will be tax revenue from the
20 property tax.

21 And thirdly, there will be a gas surcharge
22 that will go to the City of Chino, and that should be
23 a substantial number, and that's currently being
24 evaluated.

25 This is our construction timetable: We plan

1 to start construction -- assuming we have the permits
2 to go forward and do that -- on the 1st of June.

3 And we will have the first three turbines
4 installed by the 3rd of September and up and
5 operating.

6 And the fourth unit will come on line after
7 the first of next year. And that's just a matter of
8 when we could get delivery on that particular
9 turbine.

10 At this point, that pretty well covers what
11 I wanted to talk about. And did you want to hold
12 questions until the very end?

13 HEARING OFFICER REYES: Yes. We will have
14 questions after the break on those blue cards, and
15 then after those questions, we will allow for
16 additional public comment, but, this way, everybody
17 will take a turn at those.

18 MR. ROLAND: Thank you.

19 PRESIDING MEMBER PERNELL: However, I get to
20 ask my question.

21 MR. ROLAND: Almost got away.

22 PRESIDING MEMBER PERNELL: You almost got
23 away.

24 You mentioned about the number of jobs, and
25 you are going to run two shifts in order to complete

1 your project.

2 How many -- how many permanent jobs will it
3 take? How many positions will there be to operate
4 the facility?

5 MR. ROLAND: Delta Power owns the existing
6 cogeneration facility. That's a nominal 128
7 megawatts combined-cycle power plant, and with the
8 synergism between that plant and the new plant, we
9 won't have many operators.

10 That helps us drive down the cost that we
11 have to charge for electricity.

12 So basically it looks like we'll only be
13 adding seven full-time jobs to the operations and
14 maintenance staff.

15 PRESIDING MEMBER PERNELL: Okay. And
16 Southern California Gas is going to do your natural
17 gas pipeline. How long will that line be?

18 MR. ROLAND: It is about a thousand feet.
19 Their existing high pressure line is on the east side
20 of Central. Down Euclid, to our site, is
21 approximately a thousand feet -- Eucalyptus. Sorry.

22 PRESIDING MEMBER PERNELL: Thank you.

23 MR. ROLAND: Thank you.

24 HEARING OFFICER REYES: Mr. Kennedy will now
25 make the presentation for the staff.

1 MR. KENNEDY: My name is Kevin Kennedy, and
2 I'm the Project Manager for the Energy Commission
3 staff in the process of reviewing this project.

4 And I want to give a quick overview of the
5 Energy Commission's permitting process, both a little
6 bit about how it works in general terms and then how
7 it's working under this Emergency Permitting
8 Process, and then say a bit about the schedule that
9 we're operating on and where we are in our analysis
10 of the project.

11 I actually had prepared a series of
12 overheads that make it easier for me just to talk
13 through them. I had made copies of them, and Roger
14 Johnson is actually passing out copies of essentially
15 the notes that I'll be speaking from.

16 And it occurred to me I didn't leave any up
17 here for the dais, so, Roger, if you would get them
18 up here, I would appreciate it.

19 The Energy Commission is the sole permitting
20 authority for thermal power plants in California 50
21 megawatts or greater, and under that authority, we
22 have the responsibility for making sure that all the
23 power plants meet all of the basic requirements in
24 the laws, ordinances, regulations, and standards that
25 would normally apply to the project.

1 As far as the local cities, other state
2 agencies, and enforcing state programs, essentially
3 we end up as the coordinating agency. We work with
4 all the other agencies to make sure that their
5 standards and regulations are being met in the
6 permitting process, but it is the Energy Commission
7 that ultimately makes the -- issues the Permit in
8 terms of the State for local requirements.

9 In the context of federal requirements, it
10 is a bit trickier. As a state agency, we can't take
11 over federal requirements, so there is often a need
12 for additional federal permits in addition to our
13 permit, but in terms of State and local permits, it
14 is the Energy Commission Permit that is the permit
15 for building a thermal power plant 50 megawatts or
16 greater.

17 And that's under normal circumstances and
18 remains true in the emergency process.

19 Given the need for additional electrical
20 generation in the state, particularly this summer,
21 and, to some degree, next summer, the Governor issued
22 in February and March a series of Executive Orders
23 directing the Energy Commission and other agencies to
24 speed up the licensing of power plants that could
25 come on line.

1 Under one process, they could come on line
2 this summer; under another process, they could come
3 on line next summer.

4 So, we are operating today on this project
5 on the basis of the Governor's Executive Orders, as
6 was mentioned, that instituted -- that told the
7 Energy Commission to activate its Emergency
8 Permitting Process, which the Emergency Authority is
9 always part of the law that the Energy Commission
10 operates under.

11 It requires a Declaration of Emergency for
12 that to be activated, and we are operating under
13 those circumstances.

14 At this point, what we are -- what we have
15 instituted for that emergency process is a 21-day
16 permit process for power plants that can add power to
17 the grid by the end of September.

18 The process that we are working under, as
19 Commissioner Pernell mentioned, is a Fatal Flaw
20 Analysis. We are taking a very careful, a very fast
21 look at these projects to determine whether or not
22 there is anything about the project that means that
23 it should not be permitted to go forward in terms of
24 potential health or safety concerns, in terms of
25 environmental concerns, that cannot be readily

1 mitigated, or in terms of other types of significant
2 impacts to the electrical system or to other types of
3 impacts.

4 Within that, a lot of what we are focusing
5 on is the ability, to the extent that we identify
6 issues, or that other agencies that we are talking to
7 and working with identify issues -- we are trying to
8 determine the extent to which issues can be dealt
9 with and appropriately mitigated so that the effects
10 of any impacts are reduced to significant levels on a
11 time frame that allows the project to continue to get
12 on line by September 30th.

13 We have been working very closely with a
14 number of other agencies on this project; in
15 particular, the South Coast Air Quality Management
16 District retains authority under some of the Federal
17 Rules, and we are working with them in terms of
18 making sure that the Air District permitting process
19 is moving forward.

20 They are doing -- they are handling the
21 analysis of the air quality impacts in this process
22 rather than trying to duplicate or add Energy
23 Commission efforts in that direction. So South Coast
24 Air Quality Management District is taking a look at
25 the air quality impact.

1 We have also been talking a lot to the
2 Department of General Services, which, since this
3 project is on state-owned land, DGS is responsible
4 for managing the land. A lot of the land-use
5 decisions are things of very close concern to DGS.

6 We've also been working with the City of
7 Chino; we've been working with the California
8 Department of Fish and Game, and a variety of other
9 agencies to make sure that the full range of possible
10 impacts from this project are being looked at,
11 considered, and to the extent that impacts are being
12 identified, that appropriate mitigation measures can
13 be put into place.

14 We are doing this on a very fast time line.
15 The overall permit schedule, as I said, is, we are
16 aiming to complete the permit decisions on these
17 emergency projects within 21 days of the Application
18 being complete.

19 On this project, the Application was
20 complete on last Friday, May 11th.

21 We are holding, as part of this process, and
22 for any of these projects in this process, a public
23 hearing and a site visit within a week to 10 days of
24 the Application being complete.

25 We are here tonight to hear what people here

1 locally have to say about the project, to give
2 everyone here a chance to hear about the project and
3 the process that we're going through.

4 We plan to publish our Staff Assessment by
5 next Thursday, May 24th.

6 That Staff Assessment will be staff's
7 independent look at the project and will include a
8 number of conditions on certification; the things
9 that we feel that, if these conditions are followed
10 prior to construction, during construction, prior to
11 operation, and during operation of the facility, that
12 the project will not have a significant impact and
13 will be able to contribute in a positive way to the
14 overall energy situation.

15 One thing to understand about the Energy
16 Commission's permitting process is that I'm here
17 representing the staff. We are taking an independent
18 look at this.

19 The ultimate decision-makers, the people who
20 decide whether or not the power plant will be
21 permitted, are the five Commissioners appointed by
22 the Governor.

23 Commissioner Pernell is here tonight, as he
24 mentioned, as the Committee of one person that is
25 responsible for hearing the evidence in this case,

1 taking a look at what staff recommends, what the
2 Applicant has to say, listening to the comments from
3 the public.

4 And from there, after the staff assessment
5 is published, a Proposed Decision will be published.
6 My proposed schedule -- and I can't set the schedule
7 for Commissioner Pernell, so whether this is the
8 correct date I'm not sure, but May 29th, Tuesday,
9 would be a possible date for the Proposed Decision to
10 be out.

11 And this project is currently on the
12 schedule for the full Commission Business Meeting on
13 Wednesday, May 30th. So the five Commissioners would
14 have the opportunity at that point to make a decision
15 on whether to permit the project.

16 And obviously, the Commissioners will have
17 the say in exactly what conditions are or are not
18 included in the final decision.

19 And it is important to understand that, in
20 this permitting process, and in terms of these
21 conditions of certification that I'm talking about,
22 we are not suggesting that the Energy Commission
23 takes the immediate 21-day look at this and then
24 walks away from the project.

25 The Energy Commission remains responsible

1 for overseeing this project not just through the
2 permitting process but through the construction
3 process and through the operation process.

4 And so I am the Project Manager on the staff
5 side for the siting process. Once a Permit
6 Decision -- if a Permit is granted to the project, we
7 would hand over responsibility for this Project on
8 the staff side to a Compliance Project Manager, who
9 would have responsibility for making sure all the
10 conditions are followed as the project moves forward
11 through the process.

12 So, this is not something that we're
13 planning to just sort of take a quick look and walk
14 away from. We are doing a very thorough analysis,
15 though we are doing it quickly, and we will continue
16 to keep an eye on the project as it moves forward,
17 assuming that it does receive a Permit.

18 Having said that, I want to say just a
19 little bit about some of the areas where, in our
20 review to this point, we have some degree of concern.

21 We are in the process of working with some
22 of the other agencies that are interested and have
23 concerns about the project.

24 At this point, we are not seeing any
25 show-stoppers that would say that, you know, this is

1 clearly a fatal flaw; that the project should be
2 stopped at this point.

3 But there are things that we do need to work
4 out over the course of the next week before we come
5 up with a final staff recommendation.

6 One issue has to do with the question of
7 land use consistency. The project is currently more
8 or less in the middle of the overall Prison site, but
9 a large portion of the property along the northern
10 tier of the Prison property is in the process of
11 being declared surplus by the Department of General
12 Services, and is going to be developed usages.

13 We are working with both the City of Chino
14 and the Department of General Services to make sure
15 that any questions and concerns about land use and
16 compatibility, as part of that process, in terms of
17 the project overall will be appropriately addressed
18 and any conditions, and that that can be handled.

19 We also have some concern about the possible
20 presence of the burrowing owl on the project site.
21 We are aware on the Prison site overall there is a
22 population of burrowing owls. I may not have my
23 terminology exactly right, but I believe it is a
24 species of special concern within the State of
25 California and within the State agencies.

1 It is not a threat to an endangered species,
2 but it is sort of one level below that. We are
3 working with the Department of Fish and Game and Fish
4 and Wildlife Service and making sure that we
5 understand where the owls are present, where the owls
6 are not present, both on the project site and along
7 where the transmission line or the pipelines would be
8 going, and making sure that appropriate mitigation
9 measures can be incorporated into the project to
10 handle the presence of that.

11 We do know that there is at least one owl
12 that is along the transmission line, as we currently
13 understand it, but we're going to be looking in more
14 detail at what owls are present and exactly where
15 they are located.

16 We are also, as Jay Roland mentioned at the
17 site visit -- the final details of exactly where the
18 transmission line is going to be going is still being
19 worked out.

20 Once that is set, we will need to make sure
21 that we have all the information we need about that
22 final route in terms of any possible biological
23 concerns, including the burrowing owl or other types
24 of concerns along that route.

25 There is a number of buildings on the site

1 or on some of the lay-down areas. We're working to
2 make sure that there is no concerns about historical
3 significance of any of those buildings.

4 Some of them are old, and, you know, we're
5 talking to the State Historical Preservation Office
6 to determine whether or not any particular concern is
7 present around those.

8 And there is a few other details around the
9 project that we're sort of working out, making sure
10 that the staff fully understands some of the changes
11 that have been happening.

12 This whole process has been moving very
13 quickly. The question of the water supply and
14 wastewater has changed a bit. As the final bits of
15 the Application are coming in, we will actually have
16 some questions for the Applicant and probably be
17 getting to them tomorrow with some detailed questions
18 about some of the details on that one or two other
19 aspects of the project.

20 At the back of the handouts -- and it would
21 have been the last slide, if I had actually been
22 using the slides -- I have included information on
23 how to get ahold of me.

24 Again, my name is Kevin Kennedy, and my
25 phone number is (916) 651-8836. Actually, I didn't

1 include my e-mail address, but I have cards if anyone
2 wants to be able to e-mail me or get ahold of me.
3 Definitely, you know, catch me at the break, tell me
4 what's on your mind, and I can give you a card so you
5 will be able to get ahold of me.

6 Also included is what I at least hope is the
7 correct information on how to get ahold of the Public
8 Adviser's Office in that handout, so that's what I
9 have at the moment.

10 PRESIDING MEMBER PERNELL: Thank you, Mr.
11 Kennedy -- Kevin, which I know it took me a while to
12 figure out Ellie's handwriting.

13 But, as you have heard, we have -- this is
14 an expedited process, but, as you have heard Mr.
15 Kennedy express some of his concerns, it lets you
16 know that we are not sacrificing the environment or
17 any species or even historical buildings -- which I
18 didn't know about -- again, there is -- this is a
19 very tight time line, so I would like to encourage
20 everybody that is working with Mr. Kennedy as well as
21 the Applicant and the City to get the information to
22 the City so they can make their determination.

23 I want to stay on schedule. If there is no
24 fatal flaw, we want to have this project up,
25 providing electricity to California by the proposed

1 date, which is September 30th.

2 So, I intend to do my proposed decision.

3 Once Kevin and staff get their Staff Assessment to
4 me, I want to turn that around.

5 And I just want to point out a couple things
6 to let you know how tight it is.

7 My proposed decision is scheduled to come
8 out on the 29th. We will go to the full Commission
9 the next day. And the following day, they will be
10 breaking ground on the project. So this is very
11 important.

12 A lot of work has been done up front on
13 this -- let me say that now, but it is very important
14 that if there are some concerns, whether it is land
15 use or historical buildings or endangered species or
16 species of concern, we want to get that done as soon
17 as possible and get it done up front.

18 But I also want to make sure that everybody,
19 especially the agencies that have jurisdiction over
20 this, are satisfied that we have answered all of your
21 questions.

22 So, Kevin has been working very hard, and it
23 sounds like he will continue to do that, and he has
24 his number, if there is questions in the future, you
25 can get with him. But once we get to the end, this

1 will move on a day-to-day basis, so we want to have
2 everything covered up front.

3 And I thank you, Mr. Kennedy, for your
4 presentation.

5 HEARING OFFICER REYES: You've heard from
6 the last two speakers that the Air Quality District
7 plays a critical role in the process and that an
8 Application has been made, so I would like to hear
9 and I would like to ask the Air Quality District to
10 step forward and tell us about the status of that
11 Application process.

12 Please state your name again.

13 MR. NAZEMI: Sure. Mohsen Nazemi, South
14 Coast Air Quality Management District. And I am in
15 charge of the permitting and compliance activities at
16 AQMD.

17 I think that there is a lot of information
18 that was provided by the Applicant and by the Energy
19 Commission, and I won't repeat any of that, but I
20 would focus on what our role is in terms of issuing
21 the permits for this project.

22 I heard that there was a mention about the
23 federal law activities and delegation that we have
24 compared with the Energy Commission, and that's for
25 issuance of the Permit for what's known as Title V,

1 or Operating Permit Program under the Federal Law.

2 The Project, Pegasus Project, would be a
3 Title V facility, so what we are doing in this
4 process is granting the permits to construct as well
5 as the license that the Energy Commission is granting
6 for the project to be constructed and built.

7 One aspect of this project that we look at
8 is called new source review, which is the cornerstone
9 of our analysis for any new project that comes into
10 the South Coast area, which is a four-county area:
11 All of Orange, and then the non-desert portions of
12 Los Angeles, San Bernardino, and Riverside counties.

13 The new source review program looks at three
14 elements in particular. One of them is the
15 application of Best Available Control Technology.

16 The other one is the application of a
17 modeling analysis to show what the air quality impact
18 is of the project.

19 And the third is the look at the overall
20 offsets requirements for this project. In the new
21 source review program, whenever there is an increase
22 from a new project, it should be offset by a decrease
23 from other sources within the area.

24 And then finally what we also look at on the
25 new source review is the look at the impact from not

1 just the criteria pollutant -- which is the smog,
2 general smog, that you are familiar with -- but also
3 toxic impacts, if there are any toxic compounds that
4 may result in any cancer or non-cancer health effects
5 associated with the operation of the facility.

6 I think that the one area that I would just
7 point out tonight is the area of control requirements
8 that has been mentioned earlier, that the project
9 will have the Best Available Control Technology, and
10 that's the use of a catalyst for reducing both
11 nitrogen oxides and carbon monoxide emissions.

12 Actually, the way the project is going to be
13 built is that the primary generators of the power are
14 going to be able to be built and constructed earlier
15 than the control equipment can be delivered and put
16 on, so what we're going to do, under our authority,
17 we are going to grant the permits to construct.

18 After completion of our Public Comment
19 Period, with the full requirements of controls on the
20 permits, then what we would do is, and what we've
21 done in the other cases, is work with the Applicant
22 and draft a Stipulated Order of Abatement, which
23 would be approved by a Hearing Board of the South Air
24 Quality Management District, that would allow the
25 equipment to be operated and the controls to be

1 installed as soon as feasible.

2 What that means is that construction of the
3 equipment can start, but there are also going to have
4 to be procurement of the controls as they go along.
5 And as soon as the controls are delivered, they
6 should be put onto the project.

7 The time line -- which is probably what is
8 most important here in terms of getting the permits
9 out -- we would -- and as you heard from Kevin, the
10 Applications were deemed complete by the Energy
11 Commission on the 11th.

12 Our Application was complete two days
13 earlier, and what we're going to do -- and we have
14 just about completed our analysis on the air quality
15 impact -- and we would, by the end of this week, be
16 able to get our Public Notice out to the newspaper.

17 And I think they have a two-or three-day
18 publication time window, so early next week, the
19 Notice should be out in the newspaper and distributed
20 to addresses near the facility.

21 And there is a 30-day comment period
22 required under the law, so the time frame, as far as
23 we're looking at it, that would be the time after the
24 close of the Public Comment Period where we would be
25 able to issue and grant the permits.

1 I did notice there was mention of
2 construction activities that may occur before that
3 date, and I guess we'll be working with the Applicant
4 to address any earlier construction date prior to our
5 issuance of the Permit to Construct.

6 So, as far as our analysis goes, I think we
7 are satisfied with -- with the Best Available Control
8 Technology, with the modeling.

9 The offset issue is something we are still
10 working with the Applicant, and they are aware of the
11 requirements, and they are looking into what their
12 options are.

13 Whether they are going to go out in the
14 market and purchase emission reduction, and there is
15 also the State ARB has access to, and there is going
16 to be what we call a reclaim facility, which is a
17 facility within our reclaim program, and they could
18 opt into the reclaim facility from the get-go rather
19 than wait for first year of operation. So they can
20 get their offsets or NOx from that program as well.

21 I think with that, that kind of like gives
22 you a very quick overview of our permit program, and
23 we have the answers to any questions, and I also have
24 John Yee and Knut Beruldsen from the staff here, and
25 they can help.

1 Would you stand up just so the City of Chino
2 residents know who you are.

3 PRESIDING MEMBER PERNELL: I do have just
4 one question concerning the 30-day comment period
5 that you are required to allow.

6 Does that -- does that then prevent the
7 start of construction? Is that something you and the
8 Applicant can work out, or is that in line with the
9 June 1st date?

10 MR. NAZEMI: Well, it obviously is not in
11 line with the June 1st date because there is less
12 than 30 days between even today and June 1st, but
13 that is something that, because that 30-day
14 requirement is a requirement under Federal Law, that
15 we need to have EPA's concurrence that construction
16 could occur prior to our issuance of the Title V
17 permit.

18 PRESIDING MEMBER PERNELL: Are we working
19 with EPA on that?

20 MR. NAZEMI: I think I would like to ask the
21 Applicant if they have initiated that effort.

22 And in the past couple of projects, the
23 Applicant has directly worked through EPA, and we
24 have been happy to provide any assistance we can to
25 expedite that process.

1 But they need to get what is known as an
2 Administrative Order of Consent, which allows the
3 construction to begin.

4 And that's an enforcement discretion type of
5 an order that EPA has to allow the construction to
6 begin.

7 And then we would work with them as far as
8 our enforcement discretion goes.

9 PRESIDING MEMBER PERNELL: But that is on
10 the Applicant and EPA to work out?

11 MR. NAZEMI: That's correct. The part that
12 we would work with mainly, from our perspective, is
13 the Stipulated Order of Abatement, which, with
14 consideration of the energy crisis, we don't want to
15 hold up these gas turbines going in until all the
16 controls are delivered and installed, so we are
17 working with them to allow the construction and
18 operation of the gas turbines to begin by September
19 30th, and then install the controls as quickly as
20 they're delivered and constructed.

21 PRESIDING MEMBER PERNELL: Okay. Thank
22 you.

23 MR. NAZEMI: All right. Thank you.

24 HEARING OFFICER REYES: Did the Applicant
25 wish to address that issue of the EPA communication?

1 Yes. Please step forward and state your
2 name.

3 MR. ROLAND: Rick Matar, from Black & Veatch,
4 is handling that for us, and we will let him comment
5 on it.

6 MR. MATAR: I'm Rick Matar, Black & Veatch.

7 We just obtained the contact person
8 information at EPA, and we plan to pursue that
9 contact and do whatever is necessary to make that
10 happen.

11 PRESIDING MEMBER PERNELL: Okay. All
12 right. So I assume you can or are going to have a
13 meeting set up by the end of the week?

14 MR. MATAR: Hopefully, yes.

15 PRESIDING MEMBER PERNELL: Thank you.

16 HEARING OFFICER REYES: I would now ask
17 representatives from the City of Chino if they wish
18 to make a statement at this point?

19 MR. COE: Thank you. Once again, my name is
20 Chuck Coe, and again, I am the Community Development
21 Director in Chino.

22 We had prepared some draft comments and had
23 faxed those to Mr. Kennedy's office, and today, we
24 completed the letter and had it signed by the City
25 Manager, so it is dated May 16th, and we faxed a copy

1 of it up to the EC offices this afternoon.

2 Depending upon what your preference is, we
3 can go through those comments, or --

4 HEARING OFFICER REYES: Can you provide us
5 with a copy of that and provide us the highlights, as
6 well?

7 MR. COE: We sure can do that. We can have
8 copies made for you, if you would like that before --

9 HEARING OFFICER REYES: No. At some point,
10 so it will be part of the record with us. Mr.
11 Kennedy and the staff will address it in connection
12 with the staff analysis, but as far as the public
13 comment today, if you would give us the highlights,
14 if you will.

15 MR. COE: Okay.

16 HEARING OFFICER REYES: That will save you
17 from reading the document but give us an idea what
18 the City's position is with respect to this
19 Application.

20 MR. COE: The Application has been discussed
21 among staff members and coordinated by the City
22 Manager, so the comments we provided so far reflect
23 the staff comments and not necessarily comments from
24 the City Council of the City.

25 I guess overall, we don't see any fatal

1 flaws of the Application. We have gone through in
2 our letter and highlighted the typical kinds of
3 things that he we look for in a Planning Application.

4 Obviously, there is a little uneasiness
5 because of the ability of the Commission to handle
6 the entire permitting process.

7 Typically, we have an opportunity to go
8 through a permitting process and obtain the
9 information for us to complete an analysis.

10 We've noted that, from a land-use, planning
11 standpoint, we have a General Plan designation in the
12 area that, at least at the staff level, would suggest
13 that a General Plan Amendment would be required.

14 And then the zoning on the property is an
15 open space zone, and the power permit, in our
16 estimation, would be permitted with a Conditional Use
17 Permit.

18 We don't consider the fact that a General
19 Plan Amendment is necessary to be a significant
20 hurdle, in light of that the Application, the
21 proximity to an existing power plant, and the fact
22 that it is essentially in the middle of a State
23 property and at least a thousand feet from the
24 closest private property.

25 We, however, are working with the State

1 Department of General Services on the Surplus
2 Property and the Master Plan of that property.

3 We have not seen the Master Plan yet, but we
4 are familiar with the kinds of uses that are being
5 looked at, and so we're somewhat concerned about how
6 the power plant may impact land uses that are
7 proposed in the surplus property area.

8 Stack height is somewhat of a concern, but
9 the field trip indicated that the stack height was
10 substantially lower than the existing height, so I
11 think that's something that's not a significant
12 concern.

13 The property is also immediately west of a
14 the Chino Airport. The Chino Airport is owned by the
15 County -- owned and operated by the County of San
16 Bernardino, and there may be some conflicts with
17 height restrictions.

18 And we brought that to the State's attention
19 and asked them to make contact with the County to
20 ascertain whether or not that is indeed a concern.

21 Noise: What we have heard is that with the
22 sound walls that are being proposed, that will not be
23 any -- any noise level above ambient levels at the
24 property line.

25 Typically we would ask for a Noise Study to

1 document that that is indeed going to be the case.

2 In light of the fact that the surplus
3 property for the State may include residential uses,
4 that's a concern that we would want to make sure has
5 been adequately addressed.

6 Visual impacts relate to the site.
7 Primarily, at the time we reviewed the Application,
8 there seemed to be a possible proposal for some
9 overhead power lines. We were concerned about that,
10 the impacts that would have on surplus property.

11 It now appears it is an underground
12 easement, and our concern, I think, would be the same
13 as the State Department of General Services, the
14 impact that would have on potential land uses on the
15 surplus property.

16 And we want to try to align that in a way
17 that minimizes the effects of the ability to develop
18 residential uses or recreation uses.

19 Air quality is a concern, and we would
20 certainly rely on the evaluation and the analysis of
21 the Air Quality Management District.

22 This is an impacted air quality area, so air
23 quality is always a concern with each and every
24 project that comes to our City.

25 There are some hazardous materials that are

1 involved in the property. They appear to be stored
2 in the northeast portion of the site.

3 Again, we have a community park called a
4 Ayala Park. It is the largest park in the City,
5 which is north of this property, and there are plans
6 to expand that park.

7 We would want to make sure that adequate
8 protection against that potential health hazard is
9 taken so that it does not personally impact those who
10 would use the park and also, again, the surplus
11 property and the recreation and residential uses that
12 are being discussed there to make sure that it does
13 not adversely impact those, as well.

14 We've also asked that, in a comment, to have
15 an opportunity to review landscaping plans, and
16 that's landscaping plans that would provide some kind
17 of visual buffer between the proposed project and
18 either the expanded City park or the surplus lands
19 project, whichever ends up on the project site.
20 So we would like to have an opportunity to review
21 those plans.

22 We also have been in touch with the
23 compliance side, the implementation side, of the
24 California Energy Commission staff, and we have
25 indicated verbally that we would be willing to

1 relinquish the normal building permitting inspection
2 process to the State.

3 We would, however, like to have an
4 opportunity to take a look at the construction plans
5 to make sure we clearly understand what the final
6 permit and the construction requirements would be.

7 In summary, those are the comments that we
8 have provided so far. And as the review period
9 continues, I'm sure we'll be anxiously awaiting
10 additional information about the Application.

11 We have had some experience of dealing with
12 burrowing owls on other projects in the area, and we
13 would be happy to talk to Kevin and his staff about
14 what our experience has been and be happy to answer
15 any questions you may have.

16 PRESIDING MEMBER PERNELL: First of all, let
17 me just say that I thank the City of Chino for your
18 hospitality, and we really appreciate that. And if
19 you would relay that to the Mayor and the Council,
20 that we do appreciate -- and this is on behalf of the
21 entire Commission -- for your hospitality.

22 The hazardous waste, the hazardous material,
23 you are talking about the ammonia?

24 MR. COE: Yes, sir.

25 PRESIDING MEMBER PERNELL: Okay. And I

1 would encourage -- and which I've done it already --
2 but I would reiterate that the Applicant and
3 certainly all the staff will be working with the City
4 of Chino to help with all of those, and you should
5 certainly have access to the landscaping plans and
6 all of those types of things that you will -- that
7 will allow you to feel comfortable and the Council to
8 feel comfortable that this is a benefit to Chino as
9 well as the State of California.

10 So I don't think that you will have a
11 problem getting the information that you need.

12 But if so, you have Mr. Kennedy's phone
13 number, and I'm sure he will run it down for you.

14 But again, thank you for your hospitality.

15 MR. COE: Okay.

16 HEARING OFFICER REYES: Did we have any
17 other representative of any local agency who has
18 arrived since the introductions and who would like to
19 say something at this point?

20 There being no other additional agencies'
21 speakers, I would now turn to the Applicant again and
22 see if you wish to comment on some of the issues
23 raised by Mr. Kennedy, by the City, and by the --

24 MR. ROLAND: No, not really. I think
25 that -- Let me get to the podium here -- I didn't

1 hear anything come up that we weren't currently
2 addressing in the process, so a lot of the questions
3 that are now being brought up are things that are
4 being taken care of as we go through.

5 So the final process here, doing the design
6 correctly, making sure the ammonia is handled
7 correctly so that we don't have a hazardous problem,
8 and being very careful in the way that we do the
9 construction, you know, not to cause local problems,
10 and also from the point of view of the buried cable,
11 such that we don't interfere with the future plans of
12 the land use, that's why we are meeting almost -- and
13 I met this morning; I'll be meeting tomorrow with the
14 planning people from the -- from the Prison and from
15 the Department of General Services, and I think the
16 City's involved in that process, so we're aware of
17 all of those things, and we are trying to address
18 them.

19 I did not hear any surprises or anything
20 that I don't think were addressed.

21 HEARING OFFICER REYES: With respect to the
22 landscape plan that have been provided to the City, I
23 know there is a reference to that in the Application,
24 but I did not see the actual landscape plan.

25 MR. ROLAND: No. We asked the City for

1 their landscaping plan, and they gave us that. And
2 we specified in our Application we would comply with
3 the plan.

4 Compliance with a written document is one
5 thing.

6 The way we like to do business is, once we
7 come up with a landscaping plan that is consistent
8 with the City's plan, we like to sit down with the
9 City and make sure they agree it is consistent and
10 then modify it as necessary.

11 But that's the way we will plan to work that
12 out.

13 HEARING OFFICER REYES: And one thing that I
14 meant to ask you earlier is to tell us about the
15 relationship between Delta and Pegasus. I believe
16 you stated that --

17 MR. ROLAND: Affiliates.

18 HEARING OFFICER REYES: What does that mean?

19 MR. ROLAND: In the -- in the independent
20 power plant business, in California, where it really
21 started, and throughout the nation, special purpose
22 companies are usually established for each one of the
23 entities.

24 The affiliation comes with Delta's ownership
25 of Pegasus and the ownership of -- and the rights

1 that, let's say, the lenders have.

2 But before I get too far into that, I think
3 I'm going to let Shakil come up here and talk with
4 you and explain that a little bit better.

5 HEARING OFFICER REYES: Please state your
6 name.

7 MR. RAHMAN: My name is Shakil Rahman from
8 Delta Power.

9 HEARING OFFICER REYES: The last name?

10 MR. RAHMAN: Rahman, R-A-H-M-A-N.

11 HEARING OFFICER REYES: Thank you.

12 MR. RAHMAN: I'm called "Shak" by a lot of
13 people.

14 Let me just say that usually an affiliate
15 entity is usually some kind of joint ownership or
16 some partial ownership.

17 In reality, Pegasus Power Partners is, in
18 effect, a subsidiary of Delta Power.

19 And usually, in order to finance these power
20 plants -- which is a significant capital outlay on
21 the part of both the owner as well as the lenders --
22 they have always historically started financing these
23 things as single-project entities.

24 And, in simple terms, it is like owning a
25 house and it is a non-recourse loan, so, if, for

1 example, you are unable to pay your loan, that bank
2 can only come after the house.

3 That's really how this started, and using
4 this project finance structure, in effect, the world
5 has been able to finance all types of projects; for
6 example, roadways, power plants, chemicals, large
7 infrastructure projects. That's really what it is.
8 So it is just the ability to project-finance.

9 HEARING OFFICER REYES: Would it be accurate
10 to say that Pegasus is a wholly-owned subsidiary of
11 Delta Power?

12 MR. RAHMAN: It is not a wholly-owned
13 subsidiary, but Delta Power will have a substantial
14 interest in it.

15 And in fact, I cannot absolutely tell you
16 what the structure is because it also depends on
17 exactly how the financing falls into place.

18 HEARING OFFICER REYES: Thank you.

19 MR. ROLAND: Anything else you want from us
20 at this point?

21 HEARING OFFICER REYES: Not at this point.

22 PRESIDING MEMBER PERNELL: I don't have
23 anything. Thank you.

24 Oh, we have one question.

25 MS. TOWNSEND-SMITH: I just wanted to find

1 out if you have an Interconnection Agreement, or have
2 you finished -- completed a System Impact Study
3 with --

4 MR. ROLAND: We have made Application for
5 Interconnection with Southern California Edison. We
6 have contracted them -- contracted with them for the
7 System Impact Study. And that's in process right
8 now.

9 In addition, we're in the process of
10 commissioning them to proceed with engineering in
11 long-lead items up to a million dollars, so that the
12 interconnect will be done on time with the rest of
13 the power plant.

14 MS. TOWNSEND-SMITH: Did they give you a
15 date in terms of when they're --

16 MR. ROLAND: 1 September is the target date
17 to have us engaged. But that's prior to them
18 finishing the System Impact Study; that's
19 preliminary.

20 MS. TOWNSEND-SMITH: Thank you.

21 HEARING OFFICER REYES: And we will now
22 hear from Mr. Cleary or the Public Adviser.

23 MR. CLEARY: Once again, just to reiterate,
24 my name is Tom Cleary, and I'm representing Roberta
25 Mendonca, who is the Energy Commission's Public

1 Adviser.

2 I'm part of the special team that's been
3 assembled to assist in siting of the emergency power
4 plants required to address California's energy
5 crisis.

6 Our role is to assist the public in
7 understanding the Energy Commission siting process
8 and assist members of the public who want to
9 participate in that process.

10 We can be reached at the toll free number,
11 1-800-273-4459, or by e-mail at PAO@energy.state.
12 ca.us. Once again, 1-800-273-4459 or at e-mail,
13 PAO@energy.state.ca.us.

14 You, as members of the public, have an
15 absolute right to participate and comment on the
16 proposed Pegasus Power Project.

17 The Energy Commission encourages public
18 participation and welcomes all types of community
19 input.

20 Hopefully, many of you will want to offer
21 your opinions and comments on the proposed project.

22 These opinions and comments will form an
23 important source of information as the Energy
24 Commission staff performs their independent analysis
25 of the proposal.

1 Because of the emergency siting case, the
2 second public meeting, termed the Adoption Hearing,
3 will be held in Sacramento May 30th, 2001.

4 To make sure your public comments are
5 considered, you will need to respond to what you hear
6 and learn today very quickly.

7 If you need more information as to how to
8 participate in the siting cases, or if you have
9 questions about the siting process, please talk to
10 me. We have provided some material in the back,
11 which many of you have already picked up.

12 A Copy of the Application for Certification
13 and other project information is also available at
14 the Energy Commission website which is [www.energy.](http://www.energy.ca.gov/government.doe/sitingcases)
15 [ca.government.doe/sitingcases](http://www.energy.ca.gov/government.doe/sitingcases) -- all one word --
16 /[peakers](http://www.energy.ca.gov/government.doe/sitingcases/). Once again, [www.energy.ca.doe/sitingcases/](http://www.energy.ca.gov/government.doe/sitingcases/)
17 [peakers](http://www.energy.ca.gov/government.doe/sitingcases/).

18 The fastest way to get future public
19 mailings out about this project is to enter your
20 e-mail address on the Energy Commission's list
21 server, which is located at that website.

22 One more comment I need to add: The role of
23 the blue cards. The Public Adviser helps members of
24 the public who want to make their comments known
25 during the siting case proceedings. The Public

1 Adviser also helps the Commissioners and the Hearing
2 Officers with details of running a good meeting and
3 circulating the blue cards.

4 Members of the public who want to make
5 comments during the meeting, please fill out these
6 cards, and I will pass them out in just a moment.

7 We would also like to encourage you to
8 please sign in on the sign-in sheet in back.

9 And for the record, we would like to make
10 known we did receive one e-mail from a local company,
11 David Dobbins, who's CEO of GenLabs, who is sending
12 an e-mail to the Public Adviser encouraging this
13 project.

14 We also received a written comment from Mr.
15 Bill Stern, who's here this evening and went on the
16 tour. Mr. Stern has already left. He indicated that
17 his questions were already answered.

18 I'd be happy to pass out any blue cards if
19 anyone would like one.

20 PRESIDING MEMBER PERNELL: One question: Do
21 you have the website and e-mail address written down
22 somewhere?

23 MR. CLEARY: Yes. It's all over the
24 material.

25 PRESIDING MEMBER PERNELL: Okay. Thanks.

1 MR. KENNEDY: That website and Public
2 Adviser e-mail address and toll free number is at the
3 end of my handouts.

4 HEARING OFFICER REYES: We will now take a
5 short recess.

6 As Commissioner Pernell stated at the
7 beginning, use the break if you wish to ask some of
8 your questions informally of those who have made
9 presentations, but if you want to have the questions
10 asked as part of the record, please fill out the blue
11 card, and then the cards will be collected, and then
12 I will be reading the question to whomever it is
13 addressed. It may be the Applicant or staff member
14 or both, or multiple parties.

15 And I believe there may be some refreshments
16 at the back, and the rest rooms are through that door
17 on the left. 15 minutes.

18 (Recess taken.)

19 PRESIDING MEMBER PERNELL: Okay. I would
20 like to reconvene the Informational Hearing and turn
21 it over to our Hearing Officer, Mr. Reyes.

22 HEARING OFFICER REYES: Thank you,
23 Commissioner.

24 We have received the three-page letter from
25 the City of Chino addressed to Mr. Kennedy. I will

1 mark that as Exhibit 1 of this record. And Mr.
2 Kennedy will address it with the staff assessment as
3 necessary.

4 We received two blue cards with questions.
5 Neither individual checked the box to make a public
6 comment, but I will come back at the end of these two
7 questions and ask if anybody has a public comment.
8 And the two submitted questions may make a public
9 comment at that time.

10 I have a question. If I could have Mr.
11 Roland please step forward.

12 And the question is from Pat Hegler, from
13 the City of Chino Hills, and the question is: "What
14 is the approved truck route for construction traffic
15 during the project?"

16 MR. ROLAND: I'm going to have Doug here --
17 Doug, you handled the transportation aspect of the
18 Application. If you could come up and address that
19 issue for us.

20 MR. TIMPE: My name is Doug Timpe. I'm with
21 Black & Veatch. And my understanding of the approved
22 truck route would be via 60 down to Euclid and then
23 take Central -- or I'm sorry -- Edison --

24 HEARING OFFICER REYES: I'm sorry? Euclid
25 to Central?

1 MR. TIMPE: Euclid to Central, and then that
2 would bring you to the point of Eucalyptus, where you
3 would have site access. And if you take State Route
4 71, and coming from the south, on Central, you
5 intersect Eucalyptus at that point.

6 HEARING OFFICER REYES: Did you mean
7 Euclid?

8 MR. TIMPE: Euclid.

9 HEARING OFFICER REYES: Aren't Euclid and
10 Central parallel?

11 MR. TIMPE: Euclid is to the -- further to
12 the east, so if you are coming from the east, you can
13 take Euclid down south, and take it to Edison, then
14 go over west to Central, and then come south on
15 Central.

16 MR. ROLAND: Let me mention that the primary
17 entrance that we'll be using -- I'm sorry -- the
18 primary entrance we'll be using is the Ranch Gate
19 except for the major equipment. The Prison has asked
20 us not to plan on coming through the
21 Eucalyptus-Central gate on a daily basis, but they
22 will open it up for us to bring in the major
23 equipment, like the turbines and things of that
24 nature.

25 But, during construction, most the traffic,

1 then, would come from Euclid. Off of Euclid, you get
2 on Eucalyptus and come up to the Ranch Gate.

3 Now, getting to Euclid, you can get to it
4 from the south. If you are on the 91, you can come
5 up the 71 and pop off on Euclid long before you get
6 to Central.

7 And from the north, I don't know what -- I
8 believe you can get to Euclid the same way off of the
9 60. So that would be your entrances to get into the
10 Eucalyptus entrance.

11 PRESIDING MEMBER PERNELL: I think the
12 question is, what is the construction transportation
13 route that you guys are going to propose? I know
14 that sounds like you are telling me you can get to it
15 from a number of different ways, and I'm not from the
16 area, so I'm totally lost. But, the -- it appears
17 that maybe I'm mischaracterizing the question, but
18 the majority of the construction traffic -- it
19 appears to me this is what the -- the question is
20 about -- what's the route that that traffic will
21 take?

22 MR. TIMPE: Most of the construction traffic,
23 as I mentioned, if it is coming from the -- if it is
24 coming from the east on 60, it can pick up Euclid and
25 move down south on Euclid and then go west on

1 Central, and then turn down Central and head south
2 until it hits Eucalyptus, at the entrance gate, which
3 we will be using to access the project site.

4 If it is coming from the west, it can use
5 State Route 71, and approach -- get off on Central
6 and approach the Eucalyptus Entrance Gate from the
7 south.

8 PRESIDING MEMBER PERNELL: All right.

9 MR. KENNEDY: If I may add one thing: I
10 believe the question was phrased in terms of what the
11 approved route was. Traffic and transportation is
12 one area that staff is taking a look at.

13 Typically there are some degree of
14 conditions included around appropriate truck routes
15 and how those will be selected, and if anyone does
16 have particular concerns about particular routes,
17 definitely feel free to let me know those concerns so
18 that we can address those within this staff
19 assessment.

20 HEARING OFFICER REYES: This next question
21 is from George Robinson, and it states, "Regarding
22 Mr. Kennedy's handout, the emergency permit process
23 mentions three years with option to recertify without
24 contract. Please explain."

25 MR. KENNEDY: I guess that's one of the

1 problems of handing out the overheads and then sort
2 of skipping around in what you actually cover.

3 What we are looking at in terms of the
4 emergency permits, we are strongly encouraging the
5 people who are building these plants to sell the
6 power to the Department of Water Resources, to the
7 State of California.

8 For projects that are not planning to sell
9 power to the Department of Water Resources, we will
10 be looking at the emergency permit being limited to a
11 term of three years initially and then have the
12 project have the ability to come back to be
13 recertified.

14 This project is in the process of
15 negotiating the contract with the Department of Water
16 Resources, so we would expect, most likely, the staff
17 recommendation for this project would be for the
18 Permit to be good for the life of the facility, if it
19 meets the continuation criteria that are listed on
20 that same handout at the end of their contract with
21 the Department of Water Resources.

22 HEARING OFFICER REYES: An additional
23 question -- this one was from David Olson -- "What is
24 the status of the site agreement with the State?
25 Does Pegesus have the site locked up with a lease or

1 purchase agreement in place?"

2 MR. ROLAND: What's in place on the site is
3 a lease agreement that we hope to finish up actually
4 in a week with the Department of General Services,
5 and it's a -- what's the term of the lease, Shakil?

6 UNIDENTIFIED VOICE FROM AUDIENCE: 35 years.

7 MR. ROLAND: -- 35-year lease. And it is
8 not an option to purchase; it is a pure lease.

9 At the end of the lease period, we have to
10 evacuate the premises and take all of our equipment
11 out. And any buildings that are left there are to be
12 left in good repair. And so we have a criteria of how
13 we would leave the site.

14 But that's the status of the lease. It
15 should be executed by the end of the week or the
16 first of next week.

17 HEARING OFFICER REYES: And we had some
18 questions, so if you would remain there, Mr. Roland.

19 With respect to the gas pipeline
20 interconnect, do you have an agreement in place, or
21 if not, what is the anticipated date?

22 MR. ROLAND: I have an agreement in hand.
23 It hasn't been signed. It will be signed probably by
24 the end of this week when I can write a check for a
25 lot of money.

1 But we have -- we've all agreed on it; it is
2 just a matter of money at this point.

3 HEARING OFFICER REYES: And what is the
4 anticipated construction time line?

5 MR. ROLAND: Is he -- I think Southern
6 California Gas left me -- I believe their scheduled
7 construction on -- they are looking at starting
8 approximately, you know, the first of July, and they
9 can do it in less than two months.

10 It is only a thousand-foot run, and we will
11 be providing the right-of-way as part of our lease
12 agreement.

13 HEARING OFFICER REYES: With respect to air
14 quality, we heard from the District regarding a
15 number of options. Have you decided which option --
16 in other words, have you been able to purchase the
17 offsets? Are you looking to the State? Are you
18 looking to any kind of exemption? What is the
19 Applicant --

20 MR. ROLAND: For the offsets, we have made
21 application to the State Bank for NOx. We have
22 engaged a broker and a consultant in parallel to
23 identify and start to acquire the other offsets that
24 are not available from the Bank.

25 Because PM10 is not readily available for

1 offsets, we have approval from the Air Quality
2 Management District to swap two for one SOx for PM10,
3 which was something that will clean up, you know, the
4 sulphur in the area on a two-to-one basis for PM10.

5 And so that -- that letter we have in hand.

6 So those are the things that we're working
7 on right now.

8 We will have all offsets in place by the
9 time we start to operate. That's just part of the
10 on-going negotiations. Almost like a market, in that
11 they come in; they go out; you want to buy them as
12 low as you can because they can get extremely
13 expensive if you are forced to run out and buy them
14 all right now.

15 HEARING OFFICER REYES: And with respect to
16 water supply, do you have a Will Serve Letter from --

17 MR. ROLAND: We have a Will Serve Letter
18 from the City of Chino for our potable water
19 requirements and for up to 360 gallons per minute of
20 reclaimed water for our water injection. And that
21 letter -- we do have that letter, yes.

22 HEARING OFFICER REYES: And has your
23 situation changed at all with respect to your
24 contracts with either DWR or --

25 MR. ROLAND: We had been talking for several

1 weeks, you know, via the telephone and e-mail on
2 contract terms with the Department of Water and
3 Power, Department of Water Resources, and met with
4 them yesterday, Mr. Mark Garansky, and he is in the
5 process of giving us some feedback.

6 He called me this morning and said Friday,
7 on what they're willing to contract for and where it
8 stands.

9 He is the perpetual ratchet. We are the
10 later guys, and so the price is coming down. I wish
11 I could have done this a month ago.

12 MS. TOWNSEND-SMITH: In terms of fire
13 protection, will there be any impacts to the local
14 fire department? Will you be adding any equipment or
15 anything?

16 MR. ROLAND: You know, we have a Letter of
17 Will Serve from the Chino Fire Department. And I do
18 not know what their additional requirements are.

19 We're also investigating with the City of
20 tying into the existing potable water line that comes
21 down. It's a fairly good water line for additional
22 fire protection, and that's all being worked out
23 right now.

24 But to answer your question specifically, I
25 do not know if they're going to add any equipment.

1 MS. TOWNSEND-SMITH: Did they give you any
2 time line in terms of when they would give you an
3 idea of what types of mitigation or conditions or
4 equipment --

5 MR. ROLAND: The fire department?

6 MS. TOWNSEND-SMITH: Yes.

7 MR. ROLAND: No. They didn't indicate it
8 would be required.

9 MS. TOWNSEND-SMITH: Okay. Thank you.

10 HEARING OFFICER REYES: I went on that site
11 visit with you, and you told us a few things and
12 pointed some things out in the field that I would
13 like to ask you a few questions about to make them
14 part of the record.

15 We had seen a stack of -- I believe you said
16 it was an abandoned plant?

17 MR. ROLAND: That's correct. It was the
18 abandoned power plant, thermal plant, for the
19 prison.

20 HEARING OFFICER REYES: What is the height
21 of that stack?

22 MR. ROLAND: I was told today, through our
23 Plant Manager at the existing site, through
24 discussions with the maintenance people -- the
25 gentleman -- I can't tell you his name right now --

1 but I can provide it if the record needs it -- the
2 height of that stack we were looking at is 180 feet.

3 HEARING OFFICER REYES: I think there was
4 also a water tank out there near the transmission
5 lines. And do you remember the size of that?

6 MR. ROLAND: He told us that that line -- the
7 same gentleman told us that that water tower topped
8 out at 186 feet.

9 HEARING OFFICER REYES: And you indicated
10 that there would be some sound walls around the
11 property, but I do not believe that you stated here
12 the height of those walls.

13 MR. ROLAND: The height of the walls, there
14 is -- the ones that are currently in the existing
15 plant I think are approximately 20 feet high. And
16 what we will do is we will put a height that is
17 necessary to mitigate the noise, if there is a noise
18 problem.

19 I anticipate something on the order of that
20 height in areas where it's required, but the sound
21 analysis is being done.

22 We're in the process of doing the background
23 sound analysis right now, and then we know what our
24 equipment does, and we will do the acoustical work,
25 you know, in the process of designing the power

1 plant.

2 PRESIDING MEMBER PERNELL: I do have a
3 couple questions, just for my clarification.

4 One of them is the offsets, and I thought I
5 heard you say that you want to -- you don't want to
6 get -- get them too soon, but kind of wait until you
7 need them? Or perhaps I'm paraphrasing but --

8 MR. ROLAND: Yes, sir, that's the concept.

9 PRESIDING MEMBER PERNELL: My question is,
10 if -- if that being the case, there is always the
11 possibility that when you need them, they won't be
12 there. And what effect will that have on the
13 project?

14 MR. ROLAND: If we don't have them, we won't
15 operate, sir.

16 PRESIDING MEMBER PERNELL: That's correct.

17 MR. ROLAND: So we -- like I say, we're
18 going down around three avenues right now.

19 We have already made application to the
20 State bank for part of the offsets.

21 The brokers that we're dealing with
22 guaranteed us there are offsets out there. It is
23 just a matter of price, so we have been informed of
24 what is available, and so it's just a matter now of
25 trying to finalize the sources that we get from them.

1 We haven't heard back how much we can get from the
2 state bank, which we have applied for NOx offsets
3 there.

4 And so we're sort of putting our package
5 together. I don't want to go out and buy NOx offsets
6 on the market if I can get them more reasonably from
7 the State, and that's a part of why we're waiting on
8 the pieces of it.

9 PRESIDING MEMBER PERNELL: So do you have
10 any idea of when you will have that package together?

11 MR. ROLAND: I do not have a schedule for
12 that, no.

13 PRESIDING MEMBER PERNELL: And the other --
14 and I thought I heard you correctly in saying that
15 you're in negotiations with DWR, and that's more or
16 less in their court in terms of when they are going
17 to set the meeting or when --

18 MR. ROLAND: We met with them yesterday, and
19 we made a proposal to them. They discussed a
20 counter, verbally, and we came back to them and
21 agreed to accept part of their counter verbally.

22 Yesterday, they told us that they were now
23 running their load -- their current load analysis
24 base on what they have negotiated, and they're
25 supposed to come back and let me know Friday what

1 type of contract and what price they are willing to
2 pay for the energy.

3 PRESIDING MEMBER PERNELL: But you are
4 saying there will be some type of agreement with DWR?

5 MR. ROLAND: No, sir. It's just that's my
6 first approach, is to try to negotiate with them, but
7 I'm not confident that I will get one with them. I
8 might end up with a contract with somebody else. But
9 my first line of action here is to negotiate with
10 DWR.

11 PRESIDING MEMBER PERNELL: Okay. So, let me
12 just ask you another question, then, and that is, are
13 you -- do you have consultants shopping for the best
14 price for offsets?

15 MR. ROLAND: Yes, sir.

16 PRESIDING MEMBER PERNELL: Are you, in turn,
17 shopping for the best price for megawatts when we're
18 doing the expediting siting process for the peakers?
19 Is that what's happening?

20 MR. ROLAND: My agreement, the draft
21 agreement that I have, with the Department of General
22 Services, for the lease, requires me to give the --
23 the Department of -- give them the opportunity to
24 sign the contract, so, we provided to them the terms
25 under which we're willing to go forward, and they're

1 evaluating those terms.

2 If those terms aren't acceptable to them,
3 then I am free to go elsewhere, but I cannot accept
4 any deal that's better to me than the deal that I
5 offered to DWR.

6 PRESIDING MEMBER PERNELL: I'm not trying to
7 negotiate that here. I'm just trying to understand
8 where we are, when -- and I know all of this is
9 business arrangements, but if you on the one hand
10 have a team looking for the best price in terms of
11 offsets, and it sounds to me that you have a similar
12 situation when it comes to DWR, but now I understand
13 you to say that DWR has first right of refusal it
14 sounds like?

15 MR. ROLAND: First right of offer.

16 PRESIDING MEMBER PERNELL: When will we know
17 where you are going to be on that?

18 MR. ROLAND: I think that we'll know if we
19 can put a deal together with them by the end of next
20 week.

21 The way -- the way they are going right now,
22 they are interested in this. This plant has a lot of
23 flexibility, and we have decided in such a way that
24 it has a lot of different ways it can work in the
25 future, and we're offering that option to them.

1 And so, for the basic contract, they are
2 trying to come up with, and see if they can come up
3 with prices that are acceptable to us.

4 PRESIDING MEMBER PERNELL: Okay. Let's
5 see. I don't have anything else. And can we go off
6 the record a minute.

7 (Discussion off the record.)

8 PRESIDING MEMBER PERNELL: Back on the
9 record, please.

10 HEARING OFFICER REYES: We will now move to
11 the public comment portion of the hearing. Is there
12 anyone that wishes to make a comment at this time?
13 It does not appear that anyone else wishes to speak.

14 Moving right along to the closing remarks
15 portion of the meeting, you may direct further
16 comments to Project Manager, Kevin Kennedy, at the
17 phone numbers that were previously given. I'll
18 repeat the 800 number. And that's 888-871-9673. Or
19 comments to kkennedy@energy.state.ca.us.

20 In order for the comments to be considered
21 before the staff issues its assessment, the comments
22 must be received on or before May 21st.

23 I will now summarize the time lines
24 following the close of this hearing.

25 Applicant is to submit any additional

1 information that it wishes the staff to consider in
2 time for the staff assessment, which will be
3 considered in the Committee's Proposed Decision that
4 should be done on or before May 21st.

5 The Staff Analysis will be issued on May
6 24th. The Committee Decision is due on May 29th.
7 And the Commission has scheduled its Adoption Hearing
8 for May 30th.

9 Commissioner Pernell?

10 PRESIDING MEMBER PERNELL: Thank you, Mr.
11 Reyes. We are coming down to the conclusion of this
12 hearing. I would like to again thank the City of
13 Chino for its hospitality. I would also like to
14 thank Mr. Roland, and for his site visit and
15 explanations out on the site, and I'm assuming the
16 hospitality and the water -- you see a couple of
17 bottles up here. Also staff and -- and all of the
18 agencies and the Public Comment. I mean, this is a
19 process that is expedited, and it is not an easy
20 process to understand, but so those community folks
21 that are concerned, we wanted to hear from them; we
22 wanted to hear from the local agencies, especially
23 the City of Chino.

24 I think we've done that. They have
25 articulated to us some of their concerns. We will

1 address those.

2 Mr. Kennedy will certainly -- he has given
3 you his e-mail and phone numbers, and so those things
4 will be addressed. Again I urge you, we're on a
5 tight time frame, and I know the Applicant has a lot
6 to do, but also staff has a lot to do, so if you have
7 the information, get it to Mr. Kennedy, and he can
8 begin to do his staff analysis.

9 I'm also available. Ellie Townsend-Smith is
10 my Advisor. She's the engineer. She does power
11 plants and geothermal and wind and nuclear and all of
12 that. So she is the gatekeeper for me. If you need
13 to get in touch with me, please call Ellie, or you
14 can call me directly.

15 This is an open process, and we want to be
16 accessible to those who have concerns about what's
17 going on in their community.

18 Again, I urge everyone to get the work done.
19 We're -- we're in a challenge here in California in
20 terms of this summer. We think that this particular
21 project will help us meet that challenge, but that
22 does not mean that it's going to go forward.

23 The questions have to be answered; the
24 offsets have to be secure; and this whole process has
25 to move forward in terms of the environmental

1 analysis so that it is not a done deal, even though
2 we need the power, the electrons this summer.

3 So again, with that, I would just say that
4 thank you again for the hospitality from the City of
5 Chino as well as the refreshments from the Applicant,
6 and Mr. Roland's excellent explanations out on the
7 site.

8 And if there is nothing else -- is there
9 anyone on the dais that would like to say anything?

10 If there is nothing else to come before this
11 hearing, this hearing is adjourned. Thank you.

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STATE OF CALIFORNIA)
) ss:
 COUNTY OF SAN DIEGO)

I, Janet B. White, Certified Realtime Reporter,
 C.S.R. No. 1879, do hereby certify:

That the foregoing INFORMATION HEARING BEFORE
 THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
 COMMISSION OF THE STATE OF CALIFORNIA, was reported
 by me at the time and place herein set forth; was
 thereafter transcribed, through computer-aided
 technology, under my direction and supervision, and
 that the foregoing is a true record of same.

I further certify that I am neither counsel for nor
 related to any party to said action, nor in any way
 interested in the outcome thereof.

IN WITNESS WHEREOF, I have subscribed my name
 this 22nd day of May, 2001.

JANET B. WHITE, C.S.R. No. 1879

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